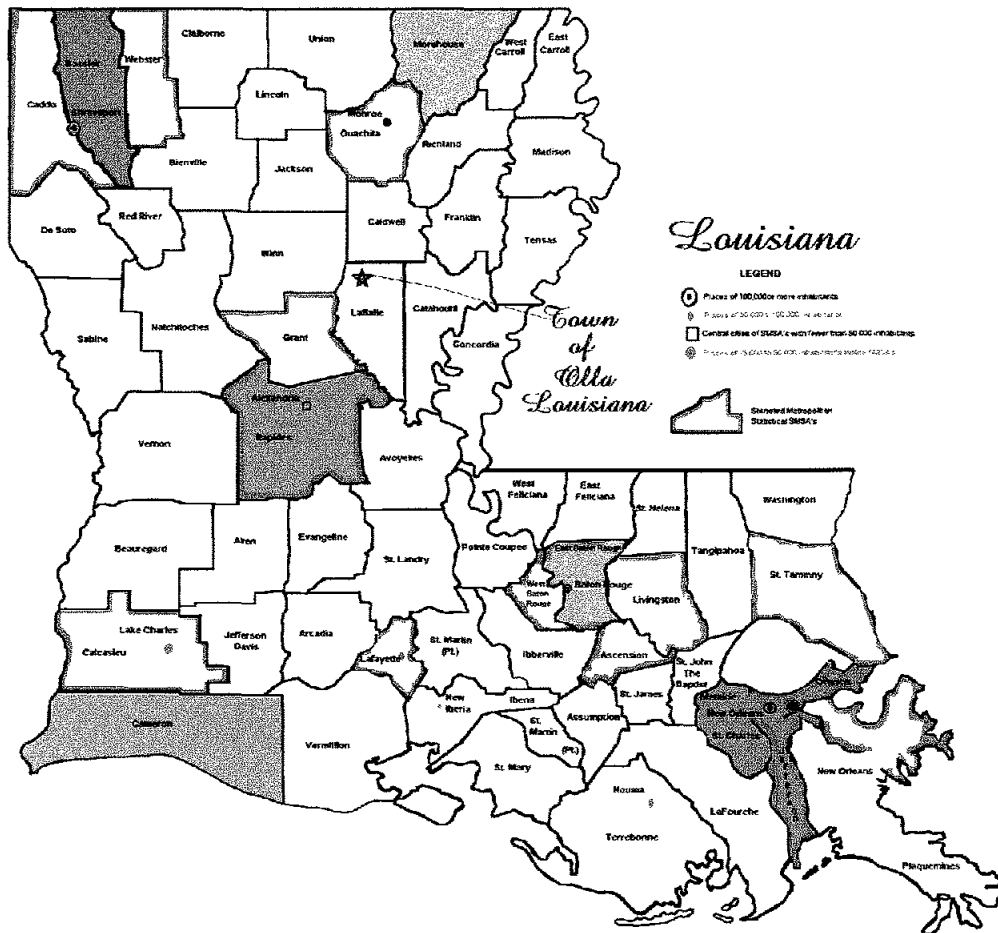


TOWN OF OLLA, LOUISIANA

Annual Financial Statements

JUNE 30, 2013

TOWN OF OLLA, LOUISIANA



The Town of Olla was incorporated under the Lawrason Act in August of 1899. The Town operates under the Mayor-Board of Alderman form of government. The Town provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, sanitation, utilities (water and sewer services)/ and general administrative functions, including coordination of related services with Parish, State and Federal governing bodies

TOWN OF OLLA, LOUISIANA
Table of Contents
June 30, 2013

	Schedule No.	Page No.
Independent Auditor's Report.....		1-3
Management's Discussion and Analysis.....		4-8
Basic Financial Statements		
Statement of Net Position.....	A	10
Statement of Activities.....	B	11
Balance Sheet, Governmental Funds.....	C	12
Reconciliation of The Government Funds Balance Sheet to the Government-Wide Financial Statement of Net Position.....	D	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	E	14
Reconciliation of The Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	F	15
Statement of Net Position, Proprietary Funds.....	G	16
Statement of Revenues, Expenses and Changes in Net Position– Proprietary Funds.....	H	17
Statement of Cash Flows – Proprietary Funds.....	I	18
Notes to the Basic Financial Statements.....		19-36
Required Supplemental Information		
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	1	38
Supplemental Information		
Schedule of Expenditure of Federal Awards by Grants.....		40
Notes to the Schedule of Expenditure of Federal Awards.....		41
Other Reports		
Independent Auditor's Report on Compliance and On Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....		43-44
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-33.....		45-46
Schedule of Findings and Questioned Costs.....		47-48
Management Letter Comments.....		49
Management's Summary of Prior Year Findings.....		50

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Jason Chisolm, Mayor
& Members of the Town Council
Olla, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the discretely presented component unit of the Town of Olla, State of Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component unit of the Town of Olla, State of Louisiana, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Olla, State of Louisiana's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2013, on our consideration of the Town of Olla, State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Olla, State Louisiana's internal control over financial reporting and compliance.

The Vercher Group

Jena, Louisiana
November 30, 2013

TOWN OF OLLA

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town, we offer readers of the Town of Olla's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Governmental Funds

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$1,649,013 (*net position*). This is a \$289,874 increase from last year.
- The Town had total revenue of \$1,559,640, in which \$281,280 came from fines, \$393,173 came from fees & charges, and \$500,000 came from loan proceeds. This is an \$824,651 increase from last year's revenues, mainly due to loan proceeds in the amount of \$500,000.
- The Town had total expenditures of \$1,620,601, which is an \$805,841 increase from last year. The main cause for this increase is due to an increase in capital outlay in the amount of \$739,005.

Enterprise Funds

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$2,525,923 (*net position*). This is a \$666,425 increase from last year.
- The Town had total revenue of \$1,410,330, including operating revenues of \$616,984 non-operating revenues of \$729 and capital contributions in the amount of \$792,617. This is a \$795,222 increase from last year, mainly due to an increase in capital grants in the amount of \$747,398.
- The Town had total expenses of \$675,543, in which \$661,665 was operating expenses and \$13,878 was non-operating expenses. This is a \$2,907 increase from last year mainly due to an increase in depreciation expense in the amount of \$7,530.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Town is a special-purpose entity engaged only in governmental activities. Accordingly, only fund financial statements are presented as the basic financial statements.

Effective, January 1, 2004, the Town adopted Governmental Accounting Standards (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

USING THIS ANNUAL REPORT

The Town's annual report consists of financial statements that show information about the Town's funds, enterprise funds and governmental funds.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the basic financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the Town's Most Significant Funds

The Town's financial statements provide detailed information about the most significant funds. The Town may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. The Town's enterprise fund uses the following accounting approach:

All of the Town's services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

MD&A

GOVERNMENTAL FUNDS

Comparative Statement of Net Position

Assets	2012	2013	% Change
Cash & Investments	\$ 110,002	\$ 111,907	1.7
Receivables	36,084	38,024	5.4
Capital Assets, Net of Accumulated Depreciation	1,513,007	2,250,788	48.8
Total Assets	1,659,093	2,400,719	44.7
Liabilities & Net Position			
Accounts, Salaries, & Other Payables	27,321	25,460	-6.8
Accrued Interest	4,981	7,289	46.3
Bonds & Notes Payable	267,652	718,957	168.6
Total Liabilities	299,954	751,706	150.6
Net Position			
Invested in Capital Assets, Net of Related Debt	1,245,355	1,524,542	22.4
Unrestricted	113,784	124,471	9.4
Total Net Position	\$ 1,359,139	\$ 1,649,013	21.3

Comparative Changes in Fund Balances

Revenues	2012	2013	% Change
Fees & Charges	\$ 370,820	\$ 393,173	6.0
Taxes	48,120	48,237	0.2
Fines	254,182	281,280	10.7
Grants	28,465	175,077	515.1
Donations	18,870	39,504	109.4
Interest	315	133	-57.8
Reimbursements	14,217	15,235	7.2
Rental	-0-	107,001	100.00
Total Revenues	734,989	1,059,640	44.2
Expenditures			
General & Administrative	130,797	171,543	31.2
Police Expense	310,921	259,851	-16.4
Fire	66,100	79,247	19.9
Street & Sanitation	137,768	144,482	4.9
Dixie Center	14,415	10,816	-25.0
Commercial Building	-0-	55,372	100.0
Recreation Complex	-0-	8,321	100.0
Debt Service	61,212	58,417	-4.6
Capital Outlay	93,547	832,552	790.0
Total Expenditures	814,760	1,620,601	98.9
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,771)	(560,961)	603.2
Other Financing Sources (Uses):			
Transfers In/(Out)	45,290	68,362	50.9
Loan Proceeds	-0-	500,000	100.0
Total Other Financing Sources (Uses)	45,290	568,362	1,154.9
Net Change in Fund Balance	(34,481)	7,401	-78.5
Prior Period Adjustment	-0-	(1,695)	-100.00
Fund Balances--Beginning	153,246	118,765	-22.5
Fund Balances--Ending	\$ 118,765	\$ 124,471	4.8

MD&A

ENTERPRISE FUNDS

Comparative Statement of Net Position

	2012	2013	% Change
Assets			
Cash & Investments	\$ 23,722	\$ 10,539	-55.6
Receivables	59,968	53,068	-11.5
Restricted Assets	193,207	167,729	-13.2
Capital Assets, Net of Accumulated Depreciation	2,106,345	2,937,558	39.5
Total Assets	<u>2,383,242</u>	<u>3,168,894</u>	33.0
Liabilities and Net Position			
Bank Overdraft	-0-	22,252	100.0
Accounts, Salaries, & Other Payables	16,269	30,750	89.0
Other Liabilities	98,475	97,419	-1.2
Bonds Payable	409,000	492,550	20.4
Total Liabilities	<u>523,744</u>	<u>642,971</u>	22.8
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,697,345	2,435,997	43.5
Restricted For Debt Service	66,732	54,185	-18.8
Unrestricted	95,421	35,741	-62.5
Total Net Position	<u>\$ 1,859,498</u>	<u>\$ 2,525,923</u>	35.8

Comparative Changes in Net Position

	2012	2013	% Change
Operating Revenues			
Water Sales	\$ 317,172	\$ 338,108	6.6
Sewer Charges	80,085	93,830	17.2
Sales Tax	160,807	174,066	8.3
Other	10,473	10,980	4.8
Total Operating Revenues	<u>568,537</u>	<u>616,984</u>	8.5
Operating Expenses			
Operating/Administrative Water	265,798	262,128	-1.4
Operating/Administrative Sewer	232,835	235,133	1.0
Depreciation	156,874	164,404	4.8
Total Operating Expenses	<u>655,507</u>	<u>661,665</u>	0.9
Operating Income (Loss)	<u>(86,970)</u>	<u>(44,681)</u>	-48.6
Non-Operating Revenue (Expenses)			
Interest Earnings	1,352	729	-46.1
Interest Expense	(17,129)	(13,878)	-19.0
Total Non-Operating Revenue (Expenses)	<u>(15,777)</u>	<u>(13,149)</u>	-16.7
Income (Loss) Before Contributions & Transfers	<u>(102,747)</u>	<u>(57,830)</u>	-43.7
Transfers In/(Out)	<u>(45,290)</u>	<u>(68,362)</u>	50.9
Capital Contributions	<u>45,219</u>	<u>792,617</u>	1,652.8
Change in Net Position	<u>(102,818)</u>	<u>666,425</u>	548.2
Total Net Position - Beginning	<u>1,962,316</u>	<u>1,859,498</u>	-5.2
Total Net Position - Ending	<u>\$ 1,859,498</u>	<u>\$ 2,525,923</u>	35.8

MD&A

CAPITAL ASSETS

Capital Assets – Governmental Fund

At June 30, 2013, the Town had \$2,250,788 invested in capital assets, including land, buildings, improvement, and equipment. This amount is an \$737,781 increase from last year.

Capital Assets at Year-End

	2012	2013
General *	\$ 2,338,858	\$ 3,014,866
Police	141,166	151,809
Fire	439,483	535,621
Street & Sanitation	51,733	52,108
Recreation Complex	-0-	49,388
Accumulated Depreciation	(1,458,233)	(1,553,004)
Total Capital Assets, Net	\$ 1,513,007	\$ 2,250,788

* Land in the amount of \$30,000 and Construction in Progress in the amount of \$ -0- are not being depreciated.

Capital Assets – Enterprise Fund

At June 30, 2013, the Town had \$2,937,558 invested in capital assets, including the buildings, sewer system, machinery, and equipment. This amount is an \$831,213 increase from last year.

Capital Assets at Year-End

	2012	2013
Water & Sewer Systems	\$ 4,929,280	\$ 5,924,897
Accumulated Depreciation	(2,822,935)	(2,987,339)
Total Capital Assets, Net	\$ 2,106,345	\$ 2,937,558

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show that the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact Mayor Jason Chisolm at the Town Hall, phone number (318) 495-5151.

BASIC FINANCIAL STATEMENTS

TOWN OF OLLA, LOUISIANA
Statement of Net Position
June 30, 2013

	PRIMARY GOVERNMENT			Component Unit Cemetery Board
	Governmental Activities	Business-Type Activities	Total	
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 111,907	\$ -0-	\$ 111,907	\$ 13,206
Investments	-0-	10,539	10,539	193,477
Receivables, Net of Allowances	38,024	53,068	91,092	-0-
TOTAL CURRENT ASSETS	<u>149,931</u>	<u>63,607</u>	<u>213,538</u>	<u>206,683</u>
NON-CURRENT ASSETS				
Restricted Assets	-0-	167,729	167,729	-0-
Capital Assets, Net of Accumulated Depreciation	2,250,788	2,937,558	5,188,346	-0-
TOTAL NON-CURRENT ASSETS	<u>2,250,788</u>	<u>3,105,287</u>	<u>5,356,075</u>	<u>-0-</u>
TOTAL ASSETS	<u>2,400,719</u>	<u>3,168,894</u>	<u>5,569,613</u>	<u>206,683</u>
CURRENT LIABILITIES				
Bank Overdraft	-0-	22,252	22,252	-0-
Accounts, Salaries, & Other Payables	25,460	30,750	56,210	-0-
TOTAL CURRENT LIABILITIES	<u>25,460</u>	<u>53,002</u>	<u>78,462</u>	<u>-0-</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer Deposits	-0-	88,408	88,408	-0-
Accrued Interest Payable	7,289	9,011	16,300	-0-
Current Bonds & Notes Payable	128,477	33,969	162,446	-0-
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>135,766</u>	<u>131,388</u>	<u>267,154</u>	<u>-0-</u>
NON-CURRENT LIABILITIES				
Bonds & Notes Payable	590,480	458,581	1,049,061	-0-
TOTAL NON-CURRENT LIABILITIES	<u>590,480</u>	<u>458,581</u>	<u>1,049,061</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>751,706</u>	<u>642,971</u>	<u>1,394,677</u>	<u>-0-</u>
NET POSITION				
Invested in Capital Assets, Net of Related Debt	1,524,542	2,435,997	3,960,539	-0-
Restricted	-0-	54,185	54,185	-0-
Unrestricted	124,471	35,741	160,212	206,683
TOTAL NET POSITION	<u>\$ 1,649,013</u>	<u>\$ 2,525,923</u>	<u>\$ 4,174,936</u>	<u>\$ 206,683</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2013

	PROGRAM REVENUES			NET (EXPENSE) REVENUE & CHANGES			Component Unit		
	Expenses	Charges For Services	Capital Grants & Contributions	Operating Grants & Contributions	Net (Expense) Revenue	Governmental Activities		Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES									
General Government	\$ (278,155)	\$ 239,390	\$ 141,255	\$ -0-	\$ 102,490	\$ (269,275)	\$ 102,490	\$ (5,446)	
Police	(272,695)	1,363	2,057	-0-	(269,275)		(269,275)	-0-	
Fire	(104,335)	90,992	3,415	-0-	(9,928)	(9,928)	(9,928)	-0-	
Streets & Sanitation	(148,197)	168,429	-0-	-0-	20,232	20,232	20,232	-0-	
Dixie Center	(10,816)	-0-	-0-	-0-	(10,816)	(10,816)	(10,816)	-0-	
Recreation Complex	(10,205)	-0-	28,350	-0-	18,145	18,145	18,145	-0-	
Interest on Long-Term Debt	(12,030)	-0-	-0-	-0-	(12,030)	(12,030)	(12,030)	-0-	
TOTAL GOVERNMENTAL ACTIVITIES	<u>(836,433)</u>	<u>500,174</u>	<u>175,077</u>	<u>-0-</u>	<u>(161,182)</u>	<u>(161,182)</u>	<u>(161,182)</u>	<u>(5,446)</u>	
BUSINESS-TYPE ACTIVITIES									
Water & Sewer	(661,665)	431,938	792,617	-0-	562,890	562,890	562,890	-0-	
Interest on Long-Term Debt	(13,878)	-0-	-0-	-0-	(13,878)	(13,878)	(13,878)	-0-	
TOTAL BUSINESS-TYPE ACTIVITIES	<u>(675,543)</u>	<u>431,938</u>	<u>792,617</u>	<u>-0-</u>	<u>549,012</u>	<u>549,012</u>	<u>549,012</u>	<u>-0-</u>	
TOTAL PRIMARY GOVERNMENT	<u>\$ (1,512,006)</u>	<u>\$ 932,112</u>	<u>\$ 967,694</u>	<u>\$ -0-</u>	<u>\$ 387,830</u>		<u>387,830</u>	<u>(5,446)</u>	
GENERAL REVENUES:									
Fines & Penalties					281,280	-0-	281,280	-0-	
Taxes					48,237	174,066	222,303	800	
Donations					39,504	-0-	39,504	820	
Fees					-0-	-0-	-0-	-0-	
Reimbursements					15,235	-0-	15,235	-0-	
Investment Earnings					133	729	862	2,925	
Other General Revenues					-0-	10,980	10,980	150	
TRANSFERS IN/(OUT)					68,362	(68,362)	-0-	-0-	
TOTAL GENERAL REVENUES & TRANSFERS					<u>452,751</u>	<u>117,413</u>	<u>570,164</u>	<u>4,695</u>	
CHANGE IN NET POSITION					291,569	666,425	957,994	(751)	
PRIOR PERIOD ADJUSTMENT					(1,695)	-0-	(1,695)	-0-	
NET POSITION-BEGINNING					1,359,139	1,859,498	3,218,637	207,434	
NET POSITION-ENDING					<u>\$ 1,649,013</u>	<u>\$ 2,525,923</u>	<u>\$ 4,174,936</u>	<u>\$ 206,683</u>	

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Balance Sheet, Governmental Funds
June 30, 2013

	GENERAL FUND
	<hr/>
ASSETS	
Cash & Cash Equivalents	\$ 111,907
Receivables (Net of Allowances for Uncollectible)	38,024
TOTAL ASSETS	<hr/> <hr/>
 LIABILITIES & FUND BALANCE	
 LIABILITIES	
Accounts, Salaries, & Other Payables	25,460
TOTAL LIABILITIES	<hr/>
 FUND BALANCE	
Restricted	-0-
Unassigned	124,471
	<hr/>
TOTAL LIABILITIES & FUND BALANCE	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
June 30, 2013

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance, Total Governmental Funds (Statement C)			\$ 124,471
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	Capital Assets	3,803,792	
	Accum. Depr.	<u>(1,553,004)</u>	2,250,788
Long-term liabilities including bonds payable and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds.	Bonds Payable	(718,957)	
	Accrued Interest	<u>(7,289)</u>	(726,246)
Net Position of Governmental Activities (Statement A)			\$ <u>1,649,013</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Revenues, Expenditures &
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	GENERAL FUND
REVENUES	
Fees & Charges	\$ 393,173
Taxes	48,237
Fines	281,280
Grants	175,077
Donations	39,504
Interest	133
Reimbursements	15,235
Rental	107,001
TOTAL REVENUES	<u>1,059,640</u>
EXPENDITURES	
General & Administrative	171,543
Police Expense	259,851
Fire	79,247
Street & Sanitation	144,482
Dixie Center	10,816
Commercial Building	55,372
Recreation Complex	8,321
Debt Service	58,417
Capital Outlay	832,552
TOTAL EXPENDITURES	<u>1,620,601</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(560,961)</u>
OTHER FINANCING SOURCES (USES):	
Transfers In/(Out)	68,362
Loan Proceeds	500,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>568,362</u>
NET CHANGE IN FUND BALANCE	7,401
PRIOR PERIOD ADJUSTMENT	(1,695)
FUND BALANCES--BEGINNING	<u>118,765</u>
FUND BALANCES--ENDING	<u>\$ 124,471</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures,
& Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total governmental Funds, Statement E	\$	7,401
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Governmental funds report capital outlays as expenditure. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Purchases	832,552		
Depreciation Exp	<u>(94,771)</u>		737,781

The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond Issuance	(500,000)		
Accrued Interest Exp	(2,308)		
Principal Paid	<u>48,695</u>		<u>(453,613)</u>

Changes in Net Position of Governmental Activities, Statement B	\$	<u>291,569</u>
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The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Net Position, Proprietary Funds
June 30, 2013

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS (Major Enterprise Funds) WATER & SEWER FUND
ASSETS	
CURRENT ASSETS	
Cash & Cash Equivalents	\$ -0-
Investments	10,539
Receivables (Net of Allowances for Uncollectible)	53,068
TOTAL CURRENT ASSETS	<u>63,607</u>
NON-CURRENT ASSETS	
Restricted Assets	167,729
Capital Assets (Net of Accumulated Depreciation)	2,937,558
TOTAL NON-CURRENT ASSETS	<u>3,105,287</u>
TOTAL ASSETS	<u>3,168,894</u>
LIABILITIES	
CURRENT LIABILITIES	
Bank Overdraft	22,252
Accounts, Salaries, & Other Payables	30,750
TOTAL CURRENT LIABILITIES	<u>53,002</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:	
Customer Deposits	88,408
Accrued Interest Payable	9,011
Revenue Bonds Payable	33,969
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>131,388</u>
NON CURRENT LIABILITIES	
Revenue Bonds	458,581
TOTAL NON CURRENT LIABILITIES	<u>458,581</u>
TOTAL LIABILITIES	<u>642,971</u>
NET POSITION	
Invested in Capital Assets Net of Related Debt	2,435,997
Restricted for Debt Service	54,185
Unrestricted	35,741
TOTAL NET POSITION	<u>\$ 2,525,923</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
June 30, 2013

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS (Major Enterprise Funds) TOTAL ENTERPRISE FUNDS
OPERATING REVENUES	
Water Sales	\$ 338,108
Sewer Charges	93,830
Sales Tax	174,066
Other	10,980
TOTAL OPERATING REVENUES	<u>616,984</u>
OPERATING EXPENSES	
Operating/Administrative Water	262,128
Operating/Administrative Sewer	235,133
Depreciation	164,404
TOTAL OPERATING EXPENSES	<u>661,665</u>
OPERATING INCOME (LOSS)	<u>(44,681)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest Earnings	729
Interest Expense	(13,878)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(13,149)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(57,830)
OTHER FINANCING SOURCES (USES)	
Transfers In/(Out)	(68,362)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(68,362)</u>
CAPITAL CONTRIBUTIONS	<u>792,617</u>
CHANGE IN NET POSITION	666,425
TOTAL NET POSITION - BEGINNING	1,859,498
TOTAL NET POSITION - ENDING	\$ <u>2,525,923</u>

The accompanying notes are an integral part of this statement.

TOWN OF OLLA, LOUISIANA
Statement of Cash Flows
Proprietary Funds
June 30, 2013

	<u>ENTERPRISE FUND</u> <u>WATER & SEWER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers, Users, & Taxes	\$ 629,716
Payments to Suppliers & Employees	(460,528)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>169,188</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers From (To) Other Funds	(68,362)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(68,362)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Receipts From Capital Grants	792,617
Loan Proceeds	115,000
Interest Paid on Capital Debt	(20,885)
Principal Paid on Revenue Bonds	(31,450)
Acquisition & Construction of Capital Assets	(995,617)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(140,335)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase (Decrease) in Restricted Assets	25,478
Interest & Dividends Received	729
Change In Investments	7,857
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>34,064</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(5,445)
CASH - BEGINNING OF YEAR	<u>5,445</u>
CASH - END OF YEAR	<u>-0-</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
OPERATING INCOME/(LOSS)	<u>(44,681)</u>
Depreciation Expense	164,404
(Increase) Decrease in Accounts Receivable	6,900
Increase (Decrease) in Bank Overdraft	22,252
Increase (Decrease) in Accounts Payables	14,481
Increase (Decrease) in Customer Deposits	5,832
TOTAL ADJUSTMENTS	<u>213,869</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 169,188</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Olla was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Alderman form of government. The Town provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, utilities (water, gas and sewer services) and general administrative functions, including coordination of related services with parish, state and federal governing bodies.

The accounting and reporting policies of the Town of Olla conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

Reporting Entity

The Town is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present the Town (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the Town is financially accountable and all other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the Town appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The Town may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the Town. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the Town, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the Town.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The Cemetery Board

The Cemetery Board was created to manage and maintain the Olla Cemetery. The board members are appointed by the Town of Olla, Louisiana and utilize the Town's facilities and assets. Therefore, the Cemetery Fund is considered a component unit of the Town of Olla, Louisiana.

The following is a summary of certain significant accounting policies:

A. GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, & FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The municipality reports the following major proprietary funds:

- Water and Sewer Fund

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services and sales taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the town's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned amounts are available for use, it is the town's policy to use committed first, assigned next and unassigned last.

Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011, and has been implemented in fiscal year 2012. The adoption of GASBS No. 62 does not have any impact on the Town's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This Statement is effective for periods beginning after December 15, 2011, and has been implemented in fiscal year 2012. The adoption of GASBS No. 63 does not have any impact on the Town's financial statements.

C. FIXED ASSETS & LONG-TERM LIABILITIES

For the year ended June 30, 2013, no interest costs were capitalized for construction of fixed assets.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Depreciation of all exhaustible fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet and governmental fund statement of activities. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Life In Years</u>
Water System	40
Sewer System	40
Buildings	40
Equipment	5-10

D. CASH & INVESTMENTS

All cash and investments (CD's over 90 days) are reported at cost and are on deposit at federally insured banks.

It is the Town's policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end. All deposits were secured at the year-end. The categories are described as follows:

- *Category 1* – Insured or collateralized with securities held by the Town or by its agent in the Town's name.
- *Category 2* – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- *Category 3* – Uncollateralized.

	<u>Southern Heritage</u>	<u>Bank of Jena</u>	<u>Concordia Bank</u>	<u>Total</u>
Bank Balances	\$ 464,890	\$ 54,996	\$ 28,989	\$ 548,875
<i>Secured As Follows</i>				
FDIC (<i>Category 1</i>)	464,890	54,996	28,989	548,875
Securities (<i>Category 2</i>)	210,056	-0-	-0-	210,056
Uncollateralized (<i>Category 3</i>)	-0-	-0-	-0-	-0-
Total	\$ 674,946	\$ 54,996	\$ 28,989	\$ 758,931

Deposits were fully secured as of June 30, 2013.

The Cemetery Board (Component Unit) holds the following investments:

	<u>Value At 6-30-2013</u>
CD's	\$ 189,500
33 Shares of First Energy at \$37.34	1,232
60 Shares of Pacific Gas at \$45.73	2,744
Total	\$ 193,476

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

E. INVENTORIES

Immaterial amounts of inventory are maintained for general fund and enterprise fund operations and, accordingly, these supplies are expensed as purchased.

F. ACCOUNTS RECEIVABLE & BAD DEBTS – GENERAL FUND & ALLOWANCE FOR BAD DEBTS – ENTERPRISE FUND

At June 30, 2013 the receivables were as follows:

	Enterprise Fund	Governmental Fund
	Water & Sewer Fund	General Fund
Tax & License	\$ 14,226	\$ -0-
Customer	74,689	58,003
Allowance for Bad Debts	(35,847)	(19,979)
Total	\$ 53,068	\$ 38,024

G. COMPENSATED ABSENCES

The Town has no compensated absence policy.

H. RESTRICTED NET POSITION

The Town records restricted assets to indicate that a portion of its net position balances are legally restricted for a specific future use. The following is a list of such restrictions and a description of each:

Restricted for System Maintenance

This amount represents monies restricted for repairs and replacement of the water system.

Restricted - Revenue Bonds

This amount represents monies restricted as required by the revenue bond indentures.

Restricted for Debt Service

Certain assets have been restricted in the Debt Service Fund for future payment of long-term liabilities of the governmental funds.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

2. AD VALOREM TAXES

The Town levies taxes on real and business personal property located within its boundaries. The Town utilizes the services of the LaSalle Parish Tax Assessor to assess the property values and prepare the Town's property tax roll. The Town bills and collects its own property taxes.

Property Tax Calendar

Assessment Date	January 1
Levy Date	No Later Than June 1
Tax Bills Mailed	On or About October 15
Total Taxes Are Due	December 31
Penalties and Interest are Added	January 1
Lien Date	January 1

For the year ended June 30, 2013, taxes of 7.72 mills were levied against property having a valuation of some \$5,014,770, which produced some \$38,714 in revenue.

Ad Valorem Taxes are broken down as follows:

	Mills
General Alimony	<u>7.72</u>

3. RESTRICTED ASSETS - PROPRIETARY FUND TYPES

At June 30, 2013, restricted assets of the Enterprise Funds were invested in either interest bearing checking accounts or time deposits and were restricted for the following purposes:

	Water	Sewer	Sales Tax
Bond Sinking/Reserve	\$ 42,112	\$ -0-	\$ 32,614
Meter Deposit	70,564	-0-	-0-
Depreciation & Contingencies	6,571	15,868	-0-
Total	<u>\$ 119,247</u>	<u>\$ 15,868</u>	<u>\$ 32,614</u>

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

4. FIXED ASSETS

Governmental Fund:

A summary of governmental fund assets at June 30, 2013, is as follows:

	Balance 6-30-2012	Additions	Deletions	Balance 6-30-2013
General/Administrative *	\$ 2,338,858	\$ 676,008	\$ -0-	\$ 3,014,866
Police	141,166	10,643	-0-	151,809
Fire *	439,483	96,138	-0-	535,621
Street & Sanitation	51,733	375	-0-	52,108
Recreation Complex	-0-	49,388	-0-	49,388
Total Capital Assets	<u>2,971,240</u>	<u>832,552</u>	<u>-0-</u>	<u>3,803,792</u>
Accumulated Depreciation	(1,458,233)	(94,771)	-0-	(1,553,004)
Total Capital Assets, Net	<u>\$ 1,513,007</u>	<u>\$ 737,781</u>	<u>\$ -0-</u>	<u>\$ 2,250,788</u>

* Land in the amount of \$30,000 and Construction in Progress in the amount of \$ -0- are not being depreciated.

Government fund assets are depreciated on the straight-line basis using the following useful lives:

Equipment	5-10 Years
Buildings	40 Years

Property Enterprise Fund:

A summary of enterprise fund property, plant and equipment at June 30, 2013, is as follows:

	Balance 6-30-2012	Additions	Deletions	Balance 6-30-2013
Water & Sewer Systems	\$ 4,929,280	\$ 995,617	\$ -0-	\$ 5,924,897
Accumulated Depreciation	(2,822,935)	(164,404)	-0-	(2,987,339)
Total Capital Assets, Net	<u>\$ 2,106,345</u>	<u>\$ 831,213</u>	<u>\$ -0-</u>	<u>\$ 2,937,558</u>

Enterprise fund assets are depreciated on the straight-line basis using the following useful lives:

Sewer Plant	40 Years
Water Plant	40 Years
Equipment	5-10 Years

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

5. CHANGES IN LONG-TERM DEBT

The following is a summary of bond and installment notes payable transactions of the Town of Olla for the year ended June 30, 2013.

	Balance 6-30-2012	Additions	Reductions	Balance 6-30-2013
Revenue Bonds & Notes (Business-Type Activities)	\$ 409,000	\$ 115,000	\$ 31,450	\$ 492,550
General Obligation Debt (Governmental Activities)	267,652	500,000	48,695	718,957
Total	<u>\$ 676,652</u>	<u>\$ 615,000</u>	<u>\$ 80,145</u>	<u>\$ 1,211,507</u>

Bonds and installment notes payable at June 30, 2013, are comprised of the following individual issues:

Revenue Bonds (Enterprise Fund)

\$275,000 Water Revenue Bonds dated 12-4-79; due in annual installments of \$5,000 to \$5,000 through December 4, 2019; interest at 5%. \$ 62,000

\$346,000 Sales Tax Revenue Bonds dated 8-1-11; due in annual installments of \$18,405 to \$32,927 through August 1, 2029; interest at 4.5%. 319,000

\$115,000 Water Revenue Bonds Dated 4/01/13 through 10/01/2027; due in annual installments of \$10,976 to \$10,857 and interest on \$97,750 at 5% and interest on \$17,250 at 0.0%. 111,550

General Obligation Note (Governmental Activities)

\$200,000 General Revenue Bonds dated 4/26/10 through 4/1/20 at 4.5% interest on \$170,000 payable \$18,403 to \$24,540 annually and 0.0% interest on \$30,000 payable \$6,000 annually to April 2015. 148,000

\$400,000 Public Improvement Bonds series 2013 dated 4/01/2013 through 04/01/2018; due in annual installments of \$87,580 to \$87,701; interest at 3.7% on \$340,000 and 0.0% on \$60,000. 400,000

\$100,000 Fire Dept Bonds Series 2013 dated 03/15/2013 through 04/01/2020; due in annual installments of \$16,374 to \$16,608; interest of 3.8% on \$85,000 and 0.0% on \$15,000. 100,000

The Town borrowed \$209,000 from Southern Heritage Bank on July 8, 2005 to pay for the repairing of the roof on the Olla commercial building. Due in ten annual installments of 26,089 through March 1, 2015; interest at 4.5%. 70,957

Total \$ 1,211,507

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The annual requirements to amortize all debt outstanding as of June 30, 2013, including interest payments, are as follows:

Year Ending June 30,	Water	Sales Tax	\$200,000 General	\$209,000 SHB	400,000 Public	\$115,000 Water	\$100,000 Fire	Total
	Revenue Bonds	Revenue Bonds	Revenue Bonds	Notes Payable	Improve Bonds	Revenue Bonds	Dept Bonds	
2014	\$ 15,000	\$ 32,760	\$ 24,660	\$ 26,089	\$ 87,580	\$ 10,875	\$ 16,374	\$ 213,338
2015	15,000	32,928	25,120	26,089	87,580	10,790	15,850	213,357
2016	15,000	32,073	24,535	26,089	87,580	10,787	16,470	212,534
2017	15,000	31,218	24,950	26,607	87,580	10,784	16,052	212,191
2018	15,000	31,340	25,050	-0-	86,778	10,857	16,634	185,659
2019-2023	45,000	156,964	75,300	-0-	-0-	53,361	32,786	363,411
2024-2028	-0-	94,611	-0-	-0-	-0-	53,107	-0-	147,718
2029-2033	-0-	56,623	-0-	-0-	-0-	-0-	-0-	56,623
Total	\$ 120,000	\$ 468,517	\$ 199,615	\$ 104,874	\$ 437,098	\$ 160,561	\$ 114,166	\$ 1,604,831

Under the terms of the bond indenture on outstanding Water Revenue Bonds dated December 4, 1979, earnings of the waterworks system are to be maintained separately and used for the following purposes:

- Payment of all reasonable and necessary expenses of operating and maintaining the system.
- Each month there will be set aside into a fund called the "Waterworks Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the next principal and interest payment.
- Each month, there will be set aside into a "Waterworks Reserve Fund" 5% of the amount paid into the Sinking Fund until such time as there has been accumulated there in the sum of \$18,750. These funds may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not available in the Sinking Fund. As of June 30, 2010 the Town of Olla had set aside the maximum required amount into this "Waterworks Reserve Fund".
- There will also be set aside into a "Waterworks Depreciation and Contingency Fund" \$63 per month. These funds will be used to care for depreciation, extensions, additions, improvements and replacements necessary to operate the system properly, and to pay interest and principal on bonds when there is not sufficient money in the Sinking or Reserve Fund.
- All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful purpose.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Under the terms of the bond indenture on outstanding Sales Tax Revenue Bonds dated March 10, 2011, the following funds are to be established and/or maintained by the Town pursuant to the Bond Ordinance:

- the “Sales Tax Account” (the Sales Tax Fund”); and
 - the “Sales Tax Refunding Bond and Interest Sinking Fund” (the “Sinking Fund”).
- (a) As more fully provided in the ordinance authorizing the levy of the Tax, all of the avails or proceeds of the Tax shall be deposited from time to time as the same may be collected in the Sales Tax Fund, a separate and special bank account established and maintained by the Town with the regularly designated fiscal agent of the Town, pursuant to the Bond Ordinance. Out of the proceeds of the Tax on deposit in the Sales Tax Fund, after the reasonable and necessary costs of collecting and administering the Tax have been paid, moneys are to be transferred to the Sinking Fund as provided in the Bond Ordinance.
- (b) The Sinking Fund will each be used by the Town with respect to the Bonds and any pari passu additional bonds which may be hereafter issued by the Town pursuant to the terms of the Bond Ordinance (“Additional Parity Bonds”). For the purposes of this arbitrage certificate, all references to the Sinking Fund shall be deemed to refer only to that portion of the fund which is allocable to the bonds and not to any moneys in said fund which are to be used with respect to any additional parity bonds which may be hereafter issued. However, until the issuance of any Additional Parity Bonds, all moneys in the Sinking Fund are allocable to the Bonds.
- (c) The Sinking Fund is designed to achieve a proper matching of revenues and debt service on the Bonds as shown on Exhibit A hereto, and any additional Parity Bonds within each Bond Year. For purposes of this Non-Arbitrage Certificate and compliance with the Arbitrage Regulations “Bond Year” shall mean the 1-year period ending on each principal payment date, which is August 1 of each year. Amounts transferred from the Sales Tax Fund and deposited in the Sinking Fund will be applied to the payment of principal or interest on the bonds payable there from in the year of their receipt. All other amounts deposited in the Sinking Fund will be depleted at least once each Bond Year, except for a reasonable carryover amount which will not exceed the greater of (i) the earnings on the Sinking Fund for the immediately preceding Bond Year, or (ii) 1/12 of the principal and interest payments on the Bonds and any Additional Parity Bonds for the immediately preceding Bond Year. Under the Bond Ordinance, the Issuer is required to make monthly deposits into the Sinking Fund, as shown on Exhibit B hereto, in such a manner as to accumulate in such fund the amounts payable on the bonds payable there from on any interest payment date. It is not expected that any amounts will remain in the Sinking Fund after all payments in a Bond Year have been made there from.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Under the certificates of indebtedness series 2010 and series 2013, a sinking fund shall be established with a requirement that 1/12 of the annual debt service (approximately \$3,458) of both series will be deposited into a “sinking fund” each month for the purpose of servicing or paying the annual principal and interest of such indebtedness.

Under the certificates of indebtedness series 2013, Public Improvement Bonds, a sinking fund shall be established with a requirement that 1/12 of the annual debt service (approximately \$7,320) of the series will be deposited into a “sinking fund” each month for the purpose of servicing or paying the annual principal and interest of such indebtedness.

At June 30, 2013, the Enterprise Fund Net Position were restricted for the purposed noted above as follows:

Revenue Bond Reserve Fund	\$	31,745
Depreciation And Contingencies Fund		22,440
Total	\$	<u>54,185</u>

6. PENSION PLAN

Substantially all employees of the Town of Olla are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters' Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustee. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. [Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with a least 25 years of creditable service, or after any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. [Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary.] Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504)925-4810.

Funding Policy. [Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the Town of Olla is required to contribute at an actuarially determined rate. The current rate is 4.5 percent of annual covered payroll]. [Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of Olla is required to contribute at an actuarially determined rate. The current rate is 8.0 percent of annual covered payroll.] Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Olla are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Olla's contributions to the System under Plan B for the years ending June 30, 2012 and 2013 were \$14,300 and \$14,775 respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service are at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 10.0 percent of their annual covered salary and the Town of Olla is required to contribute at an actuarially determined rate. The current rate is 26.5 percent of annual covered payroll. The contribution requirements of plan members and the Town of Olla are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Olla's contributions to the System under for the years ending June 30, 2012 and 2013 were \$27,184 and \$11,013, equal to the required contributions for each year.

7. INTERFUND TRANSFERS

Interfund transfers were made during the year for operational purposes.

8. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. ENCUMBRANCES

The Town does not utilize encumbrance accounting.

10. CONTINGENCIES

The Town was informed by letter on September 15, 1997 by the Louisiana Department of Environmental Quality that the Town is in violation of portions of the Louisiana Environmental Quality Act (La. R.S. 30:2001) as it related to the operation and maintenance of the Town's sewer system.

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

11. ELECTED OFFICIALS SALARIES

<u>Name</u>	<u>Title</u>	<u>Term</u>	<u>Annual Salary</u>
Jason Chisolm 2829 Church St Olla, LA 71465 (318) 495-5041	Mayor	2011-2014	\$ 15,750
Jeffrey Lasiter 2035 Ash St Olla, LA 71465 (318) 312-1106	Council Member	2007-2014	\$ 1,200
Al Cassels, Jr 1469 Plum St Olla, LA 71465 (318) 495-7923	Council Member	2011-2014	\$ 600
Rhonda Elliott 1564 Greene St Olla, LA 71465 (318) 495-5026	Council Member	2011-2014	\$ 600
L.J. Rachal, Jr 1753 Short St Olla, LA 71465 (318) 495-3219	Council Member	2011-2014	\$ 450
Samantha Wood-Francis 964 Gum St Olla, LA 71465 (318) 533-6929	Council Member	2011-2014	\$ 450
John Stott 1607 Taylor Street Olla, LA 71465	Police Chief	2011-2014	\$ 36,974

TOWN OF OLLA, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

12. INSURANCE EXPIRATION DATES

Type	Company	Amount	Date Of Expiration
General Liability	Phoenix Insurance Company	\$1,000,000	7/1/2014
Automobile Liability	Phoenix Insurance Company	\$1,000,000	7/1/2014
Bond	Travelers Casualty & Surety Company	\$ 100,000	3/13/2015
Identity Fraud	Traveler's Casualty & Surety Company	\$ 25,000	11/9/2014
Workers Compensation	Louisiana Workers Compensation Corp.	\$ 500,000	1/1/2014

13. RATES

The Town of Olla Enterprise Fund has the following rates. The deposit amounts are listed below:

Renter	\$ 150
Owner	\$ 75

Rate Schedule:

Water	ICL - \$12.50 for the 1 st 2,000 gal., \$4.00 per 1,000 thereafter OCL - \$15.50 for the 1 st 2,000 gal., \$5.00 per 1,000 thereafter
Pleasant Ridge	\$3.50 per 1,000 gal., no minimum
Bulk Water Rates	\$9.00 per 1,000 gal.
Sewer	Residential \$9.00 for 1 st 3,000 gal., \$1.00 per 1,000 thereafter Commercial \$16.50 for 1 st 10,000 gal., \$1.00 per 1,000 thereafter
Fire	Residential - \$5.25 In City Limits \$7.00 Out City Limits Commercial - \$12.00 In City Limits \$17.00 Out City Limits
Garbage	Residential \$19.50 per household or unit Commercial \$46.50 & up based on the amount of garbage & amount of time for collection

TOWN OF OLLA, LOUISIANA

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

14. PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$1,695 was made to correct the equity balance in the general fund.

15. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The Town overspent its budget by \$695,631 or 75.2% during the year.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF OLLA, LOUISIANA
Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual
General Fund
For the Year Ended June 30, 2013

	BUDGET AMOUNTS		Actual Amounts	VARIANCES FAVORABLE (UNFAVORABLE)
	Original	Final	Budgetary Basis	
REVENUES				
Fees & Charges	\$ 361,100	\$ 366,700	\$ 393,173	\$ 26,473
Taxes	47,500	47,500	48,237	737
Fines	262,000	267,000	281,280	14,280
Grants	59,700	59,700	175,077	115,377
Donations	35,250	38,250	39,504	1,254
Interest	220	220	133	(87)
Reimbursements	25,500	25,500	15,235	(10,265)
Rental	38,500	38,500	107,001	68,501
TOTAL REVENUES	<u>829,770</u>	<u>843,370</u>	<u>1,059,640</u>	<u>216,270</u>
EXPENDITURES				
General & Administrative	133,150	133,150	171,543	(38,393)
Police Expense	272,620	272,620	259,851	12,769
Fire	63,600	61,800	79,247	(17,447)
Street & Sanitation	140,540	140,540	144,482	(3,942)
Dixie Center	11,110	11,110	10,816	294
Commercial Building	-0-	-0-	55,372	(55,372)
Recreation Complex	-0-	-0-	8,321	(8,321)
Debt Service	65,750	65,750	58,417	7,333
Capital Outlay	143,000	240,000	832,552	(592,552)
TOTAL EXPENDITURES	<u>829,770</u>	<u>924,970</u>	<u>1,620,601</u>	<u>(695,631)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(81,600)	(560,961)	(479,361)
OTHER FINANCING SOURCES (USES)				
Transfers In/(Out)	-0-	-0-	68,362	68,362
Loan Proceeds	-0-	100,000	500,000	400,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>-0-</u>	<u>100,000</u>	<u>568,362</u>	<u>468,362</u>
NET CHANGE IN FUND BALANCE	\$ <u>-0-</u>	\$ <u>18,400</u>	7,401	\$ <u>(10,999)</u>
PRIOR PERIOD ADJUSTMENT			(1,695)	
FUND BALANCE - BEGINNING			118,765	
FUND BALANCE - ENDING			<u>\$ 124,471</u>	

The accompanying notes are an integral part of this statement.

SUPPLEMENTAL INFORMATION

TOWN OF OLLA
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2013

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures (\$)</i>
<i>Other Programs</i>			
Department of Housing and Urban Development Pass-Through Programs Passed-through LA DIVISION OF ADMINISTRATION			
LA DIVISION OF ADMINISTRATION Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		\$628,836
WATERLINE PROJECT - 716355		716355	\$450,000
WASTE WATER COLLECTION – 30MIPS2301		30MIPS2301	\$178,836
<i>Total</i>			<u>\$628,836</u>
<i>Total Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii</i>			<u>\$628,836</u>
<i>Total Passed-through LA DIVISION OF ADMINISTRATION</i>			<u>\$628,836</u>
<i>Total Department of Housing and Urban Development</i>			<u>\$628,836</u>
Various Agencies – Direct Programs			
Delta Area Economic Development	90.201		\$93,781
<i>Total Various Agencies</i>			<u>\$93,781</u>
<i>Total Other Programs</i>			<u>\$722,617</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$722,617</u>

**TOWN OF OLLA
OLLA, LOUISIANA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013**

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Single Audit Requirements

In July 1996, the Single Audit Act Amendments of 1996 (1996 Act) were enacted and superseded the Single Audit Act of 1984. In June 1997 OMB issued a revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, to implement the changes from the 1996 Act and to rescind Circular A-128. The new requirements state that an entity expending \$500,000 or more of federal funds adhere to the requirements of Single Audit.

The funds used to account for these funds use the accrual basis of accounting.

1.) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town. The reporting entity is defined in Note 1 to the Town's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

2.) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Town's basic financial statements.

3.) Relationship To Basic Financial Statements

Federal award revenues and loans are reported in the Town's basic financial statements as follows:

General:	
LCDBG	\$ 628,836
Federal Grants	93,781
Total	\$ <u>722,617</u>

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with U.S. generally accepted accounting principles.

Expenditures of Federal Awards	\$ <u>722,617</u>
--------------------------------	-------------------

4.) Federal Awards

In accordance with HUD Notice PIH 98-14, "federal awards" do not include the Town's operating income from water revenues or investments (or other non-federal sources). In addition, the entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

Presented for purposes of additional analysis only.

OTHER REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT* *AUDITING STANDARDS*

The Honorable Jason Chisolm, Mayor
and Members of the Town Council
Olla, Louisiana

We have audited, in accordance with the auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Olla, State of Louisiana's basic financial statements, and have issued our report thereon dated November 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Olla, State of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Olla, State of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Olla, State of Louisiana's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Olla, State of Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items.

2013-C-1 Budget Variances

The Town of Olla, State of Louisiana's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Town of Olla, State of Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not or provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a public document and its distribution is not limited.

The Vercher Group

Jena, Louisiana
November 30, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Honorable Jason Chisolm, Mayor
and Members of the Town Council
Olla, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Town of Olla's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Olla's major federal programs for the year ended June 30, 2013. The Town of Olla's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Olla's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Olla's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Olla's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Olla, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Olla is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Olla's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Olla's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Legislator Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public document and its distribution is not limited.

The Vercher Group

November 30, 2013
Jena, Louisiana

TOWN OF OLLA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COST For the Year Ended June 30, 2013

We have audited the basic financial statements of the Town of Olla, Louisiana, as of and for the year ended June 30, 2013, and have issued our report thereon dated November 30, 2013. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2013, resulted in an unqualified opinion.

Section I Summary of Auditor's Results

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Other Conditions ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☒ Yes ☐ No

b. Federal Awards

Internal Control

Material Weaknesses ☐ Yes ☒ No Other Conditions ☐ Yes ☒ No

Type of Opinion On Compliance Unqualified ☒ Qualified ☐
For Major Programs Disclaimer ☐ Adverse ☐

Are the finding required to be reported in accordance with Circular A-133, Section .510(a)?

☐ Yes ☒ No

c. Identification Of Major Programs:

CFDA Number (s)	Name Of Federal Program (or Cluster)
14.228	CDBG/States Program

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☒ No

TOWN OF OLLA, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)
For the Year Ended June 30, 2013**

Section II Financial Statement Findings

2013-C-1 Budget Variances

CONDITION: The Town had an unfavorable expenditure variance of \$695,631 or 75.2% in the general fund during the year primarily because the budget was not amended for one time capital outlay expenditures for the Holloway Building improvements and the DOTD funded Town sign.

CRITERIA: The Budget Act requires that governments amend their budgets when revenues fall below budgeted amounts by more than 5% or when expenditures exceed 5% of appropriations.

CAUSE OF CONDITION: Not amending budget for one time capital outlay expenditures.

EFFECT OF CONDITION: Violation of the Budget Act.

CLIENT RESPONSE AND CORRECTIVE ACTION: Discussed with the Town Clerk at the Town Hall. The Town will begin monitoring revenues and expenditures to determine if the budget should be amended.

CONTACT PERSON: Jason Chisolm, Mayor.

ANTICIPATED COMPLETION DATE: June 30, 2014.

Section III Federal Awards Findings and Questioned Costs

No Findings to Report.

TOWN OF OLLA, LOUISIANA

MANAGEMENT LETTER COMMENTS

During the course of our audit, we observed conditions and circumstances that may be improved. Below are situations that may be improved (if any) and recommendations for improvements.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

There are no current year management letter comments.

TOWN OF OLLA, LOUISIANA

MANAGEMENT'S SUMMARY OF PRIOR YEAR FINDINGS

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Town of Olla, Louisiana has provided the following action summaries relating to audit findings brought to their attention as a result of their financial audit for the year ended June 30, 2012.

PRIOR YEAR FINDINGS

2012-C-1 Budget Variances (Unresolved)

CONDITION: The Town had an unfavorable expenditure variance of \$4,433 or 5.68% in the general fund during the year.

CRITERIA: The Budget Act requires that governments amend their budgets when revenues fall below budgeted amounts by more than 5% or when expenditures exceed 5% of appropriations.

CAUSE OF CONDITION: Not amending budget before year end.

EFFECT OF CONDITION: Violation of the Budget Act.

CLIENT RESPONSE AND CORRECTIVE ACTION: The Town began monitoring revenues and expenditures to determine if the budget should be amended.